

Management's Discussion and Analysis

Overview

Our three-year Medium-Term Management Plan, “To be enthusiastic, ambitious and sensitive 2026,” which concludes in fiscal 2026, sets out “Improvement of corporate value through management emphasizing profit” as its basic policy. Under the plan, we are pursuing Improvement of Profitability, Promotion of Growth Strategies, and Strengthening of Management Foundations as we work to expand our businesses profitably and further strengthen our management structure. To promote our growth strategies, we reorganized our business segments at the beginning of the fiscal year, incorporating the equipment construction business into the Energy segment to strengthen our systems business and the ED&C components business into the Industry segment to create synergies with the FA components business.

During the fiscal year, uncertainty over the global economic outlook persisted amid factors such as the impact of U.S. trade policies, while prices of raw materials including silver and copper surged as investment funds flowed in and supply-demand conditions tightened. At the same time, capital investment remained firm in the electricity, manufacturing, and data center sectors, supported by green transformation (GX) investment toward the realization of a decarbonized society and rising energy demand associated with the growing use of generative AI and digital technologies.

Financial Performance

Net Sales

Net sales in fiscal 2025 increased by 9.3%, to ¥1,227,595 million.

In the Energy, Industry, and Semiconductors segments, net sales increased. However, in the Food and Beverage Distribution segments, net sales decreased. Domestic sales increased by 10.6%, to ¥882,823 million. Overseas sales increased by 5.9%, to ¥344,772 million.

The ratio of overseas sales decreased by 0.9 percentage points, to 28.1%.

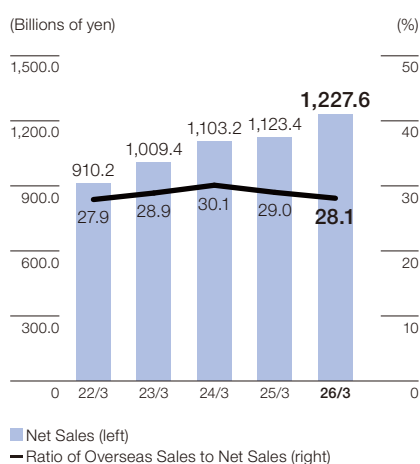
Cost of Sales, Selling, General and Administrative Expenses and Operating Profit

Cost of sales increased by 9.7 percentage points, to ¥883,594 million. The ratio of cost of sales to net sales increased by 0.3 percentage points, to 72.0%.

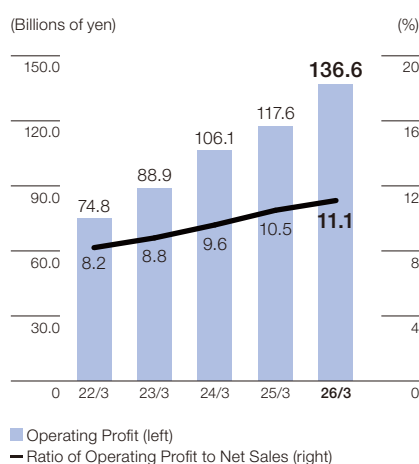
Selling, general and administrative expenses increased by 3.6%, to ¥207,381 million. The ratio of selling, general and administrative expenses to net sales decreased by 0.9 percentage point, to 16.9%.

Operating profit increased by ¥18,974 million, to ¥136,620 million, primarily due to higher demand for plant and system in Energy, while the increase in personnel expenses that accompanied efforts to enhance human capital as well as soaring raw material prices, lower demand for automotive semiconductors, and the rebound from the special demand for currency handling equipment in the Food and Beverage Distribution in the previous fiscal year. The operating margin increased by 0.7 percentage points, to 11.1%.

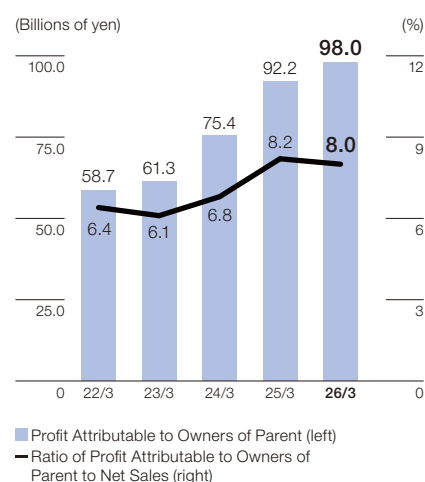
**Net Sales /
Ratio of Overseas Sales to Net Sales**



**Operating Profit /
Ratio of Operating Profit to Net Sales**



**Profit Attributable to Owners of Parent /
Ratio of Profit Attributable to Owners of Parent to Net Sales**



Non-Operating Income (Expenses) and Ordinary Profit

Non-operating income (net) was ¥2,690 million, a ¥1,577 million increase from ¥1,113 million of non-operating income in the previous fiscal year. This increase was primarily due to a ¥1,399 million foreign exchange gains, which ¥1,126 million foreign exchange losses turned into, while depreciation of inactive non-current assets increased. As a result, ordinary profit increased by ¥20,551 million, to ¥139,310 million.

Extraordinary Income (Loss), Profit before Income Taxes and Non-Controlling Interests

Extraordinary income was ¥5,582 million, included gain on sales of noncurrent assets and gain on sales of investment securities. This represented a ¥14,194 million decrease due to a decrease in gain on sales of investment securities.

Extraordinary loss was ¥4,801 million, included loss on disposal of noncurrent assets, loss on devaluation of investment securities, impairment loss, and extra retirement payments. This represented a ¥73 million decrease due to settlement payments in the previous fiscal year, while impairment loss was included in this fiscal year.

Profit

Profit before income taxes increased by ¥6,430 million, to ¥140,091 million. After deducting ¥38,670 million of income taxes (the net of income taxes-current and income taxes-deferred) and ¥3,391 million of profit attributable to non-controlling interests, profit attributable to owners of parent increased by ¥5,791 million, to ¥98,030 million.

Results by Business Segment

Results of operations by reportable segment

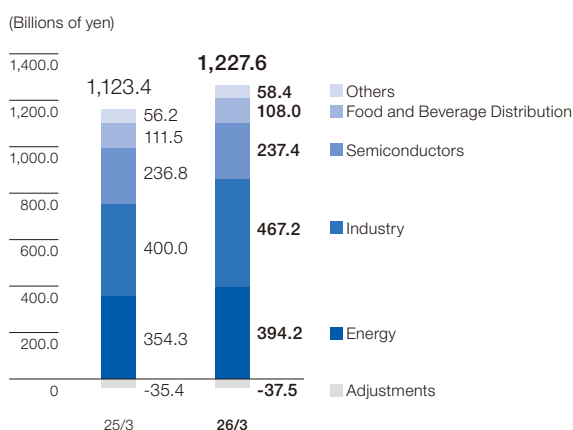
Years ended March 31, 2026 and 2025	Millions of yen					
	2026		2025		Changes	
	Net Sales	Operating profit	Net Sales	Operating profit	Net Sales	Operating profit
Energy	394,167	59,506	354,336	36,263	39,831	23,243
Industry	467,232	44,383	400,032	33,971	67,200	10,412
Semiconductors	237,386	23,520	236,788	37,081	598	(13,561)
Food and Beverage Distribution	107,976	13,132	111,497	13,902	(3,521)	(770)
Others	58,359	3,866	56,150	3,764	2,209	102
Elimination and Corporate	(37,525)	(7,787)	(35,396)	(7,335)	(2,129)	(452)
Total	1,227,595	136,620	1,123,407	117,646	104,188	18,974

Energy

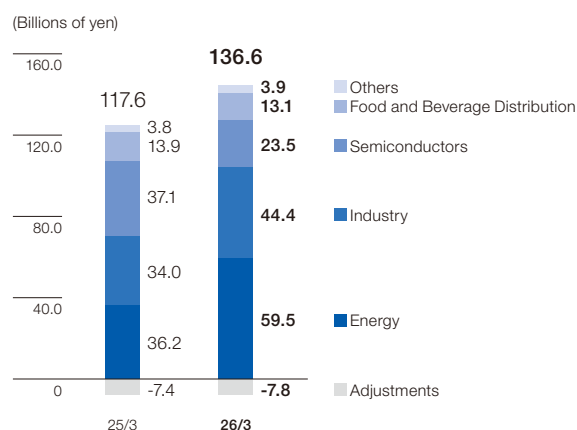
In the Energy segment, net sales and operating profit increased year on year primarily due to higher demand in the energy management business and the power supply and facility systems business.

- In the power generation business, net sales increased year on year due to an increase of large-scale orders for hydropower generation facility projects. Operating results increased due to the combined benefits of the higher net sales, the absence of the rise in expenses associated with thermal power and geothermal power projects recorded in the previous fiscal year, and favorable sales mix.
- In the energy management business, net sales and operating results increased year on year due to higher demand for storage battery system and large-scale orders for substation equipment for power and industrial applications and power supply equipment for industrial applications.

Net Sales by Segment



Operating Profit (Loss) by Segment



- In the power supply and facility systems business, net sales and operating results increased year on year due to higher demand from data centers.
- In the equipment construction business, net sales and operating results increased year on year due to an increase of large-scale orders and favorable sales mix, and strengthening cost reduction.

Orders received in fiscal 2025 (Energy segment of Fuji Electric Co., Ltd., non-consolidated-basis) totaled ¥331.1 billion.

Industry

In the Industry segment, net sales and operating profit increased year on year primarily due to an increase of large-scale orders in the IT solutions business.

- In the factory automation components business, net sales and operating results increased year on year due to higher demand for measuring instruments.
- In the automation systems business, net sales and operating results increased year on year due to higher demand from the steel industry.
- In the social solutions business, net sales and operating results increased year on year due to higher demand for transportation systems.
- In the ED&C components business, net sales increased year on year due to a modest recovery in demand from finished machinery manufacturers. Operating results increased due to higher demand and product selling price revisions, while soaring material prices.
- In the IT solutions business, net sales and operating results increased year on year due to an increase of large-scale orders from academic sector.

Orders received in fiscal 2025 (Industry segment of Fuji Electric Co., Ltd., non-consolidated-basis) totaled ¥185.2 billion.

Semiconductors

- In the Semiconductor business, net sales of industrial semiconductors increased year on year due to higher demand in China and impact from foreign exchange rate fluctuations. Net sales of automotive semiconductors decreased year on year due to lower demand for power semiconductors for electric vehicles (xEV) and the impacts of the selling price revisions in the previous fiscal year. Operating results decreased due to soaring material prices and price competition for industrial semiconductors seen centered on the Chinese market, and lower demand for automotive and the selling price revisions in the previous fiscal year for these semiconductors.

Orders received in fiscal 2025 (Semiconductors segment of Fuji Electric Co., Ltd., non-consolidated-basis) totaled ¥187.7 billion.

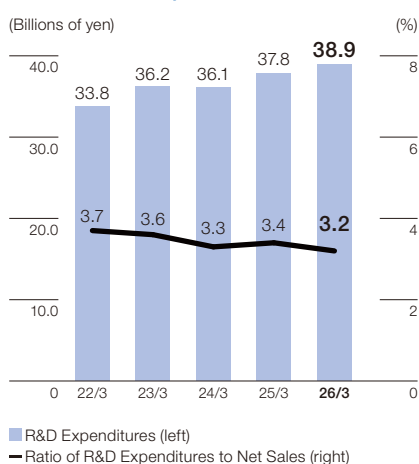
Food and Beverage Distribution

- In the vending machine business, net sales and operating results decreased year on year due to lower demand in domestic market.
- In the store distribution business, net sales increased year on year due to higher demand for store fixtures seen accompanying a rise in convenience store renovations, while the impacts of the rebound from the special demand for currency handling equipment in the previous fiscal year.

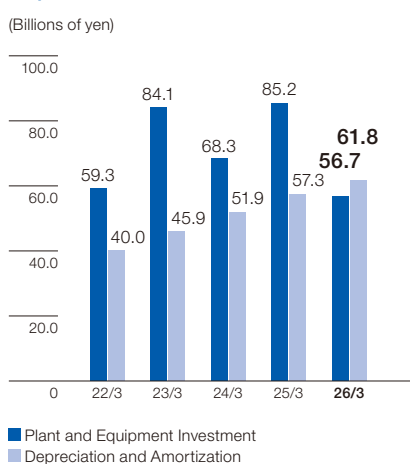
Orders received in fiscal 2025 (Food and Beverage Distribution segment of Fuji Electric Co., Ltd., non-consolidated-basis) totaled ¥103.6 billion.

Note: Effective April 1, 2025, a reorganization was undertaken resulting in changes to the businesses included within the Energy and Industry reportable segments. Year-on-year comparisons use figures that have been restated to reflect these changes.

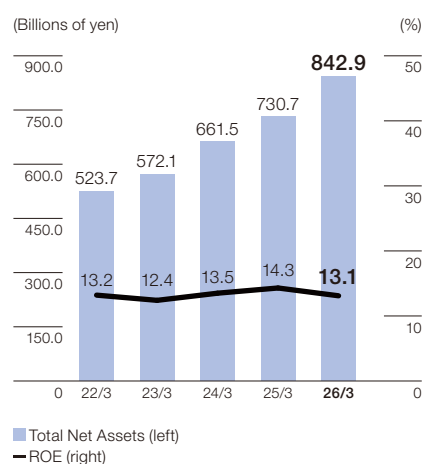
R&D Expenditures / Ratio of R&D Expenditures to Net Sales



Plant and Equipment Investment / Depreciation and Amortization



Total Net Assets / ROE



R&D Investment and Plant and Equipment Investment

R&D

Based on the research and development strategy of the “FY2026 Mid-Term Management Plan,” Fuji Electric is working to strengthen the competitiveness of current products, develop next-generation machines, develop new products for GX, DX and global products that will drive the growth strategy, and acquire new technologies related to hydrogen, etc., with an eye on market expansion after 2030. To this end, we are also promoting collaboration and co-creation with partner companies and academia.

The Company’s R&D expenditures in fiscal 2025 totaled ¥38,907 million.

As of March 31, 2026, the number of our industrial property rights registered in Japan and overseas was 13,517.

Plant and Equipment Investment

During the fiscal year, capital investment totaled ¥56,712 million on a consolidated basis. This included investments in expanding production capacity for silicon (Si) and silicon carbide (SiC) semiconductors, installing production equipment for new products, and increasing output and streamlining operations at production sites in Japan and overseas. The principal investments were as follows.

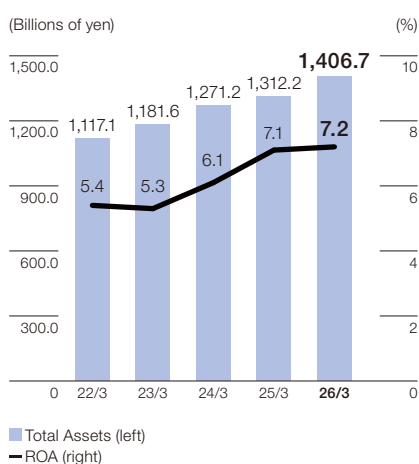
In the Energy segment, demand for substation equipment increased amid growing construction of data centers and

semiconductor plants and the replacement of equipment delivered during Japan’s high-growth period. To respond to this demand, we relocated production equipment from the Chiba Factory to the Kawasaki Factory and made investments in expanding switchgear production capacity. At the Kobe Factory, we began construction to expand the production building and increase production capacity for switchboards and power supply equipment.

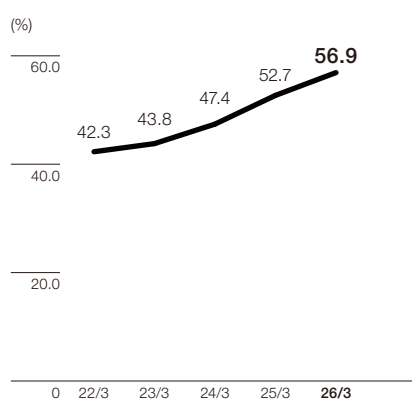
In the Industry segment, we made investments in expanding the capacity of load-testing equipment in response to efficiency regulations for high-voltage motors, following the expansion of the scope of International Electrotechnical Commission (IEC) 60034, the international standard for rotating electrical machines, to motors up to 2,000 kW. We also invested in expanding production of second-generation smart meters capable of measuring electricity consumption and voltage at a high level of granularity, as well as in a smart meter production line as part of our entry into the Indian market. At the Fukiage Factory, we invested in automating the assembly and component machining processes for the new SC-NEXT series of magnetic switches.

In the Semiconductors segment, we invested in expanding production capacity for 6-inch silicon carbide (SiC) wafers in preparation for mass production of SiC chips that enable greater efficiency and more compact power electronics equipment. We are also investing in the development of mass-production technology for 8-inch SiC wafers, with the aim of improving cost competitiveness, among other objectives.

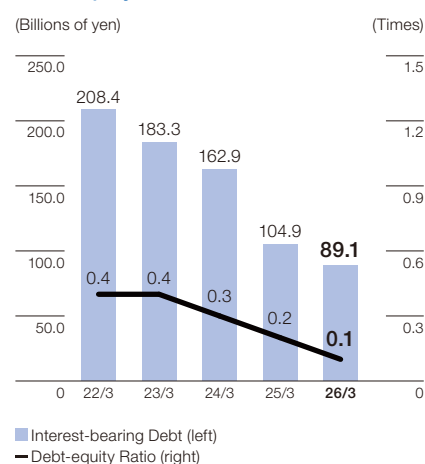
Total Assets / ROA



Equity Ratio



Interest-bearing Debt / Debt-equity Ratio



Financial Position

Total Assets

As of March 31, 2026, total assets was ¥1,406,669 million, an increase of ¥94,494 million.

Current Assets and Current Liabilities

Total current assets was ¥831,844 million, an increase of ¥65,172 million. This increase was primarily due to an increase of ¥23,847 million in accounts receivable - trade, ¥11,810 million in Contract assets, and ¥18,425 million in inventories, respectively.

Total current liabilities was ¥434,047 million, an increase of ¥2,581 million. This increase was primarily due to an increase of ¥11,560 million in contract liabilities, while lease obligations decreased ¥4,133 million.

Noncurrent Assets

Total noncurrent assets was ¥574,825 million, an increase of ¥29,322 million. Net property, plant and equipment was ¥348,865 million, an increase of ¥1,791 million. Total investments and other assets was ¥225,960 million, an increase of ¥27,531 million. This increase was primarily due to an increase of ¥11,672 million in other-investment securities and ¥12,084 million in Net defined benefit assets.

Long-term Liabilities

Total long-term liabilities was ¥129,686 million, a decrease of ¥20,365 million. This decrease was primarily due to a decrease of ¥15,016 million in long-term debt and ¥8,710 million in lease obligations, respectively.

Net Assets

As of March 31, 2026, net assets was ¥842,936 million, an increase of ¥112,278 million. This increase was primarily due to an increase of ¥72,051 million in retained earnings and ¥14,691 million in foreign currency translation adjustments, ¥13,364 million in remeasurements of defined benefit plans, respectively. As a result, the equity ratio was 56.9%, an increase of 4.2 percentage points.

Debt

As of March 31, 2026, interest-bearing debt was ¥89,083 million, a decrease of ¥15,793 million. The ratio of interest-bearing debt to total assets was 6.3%, a decrease of 1.7 percentage-points.

Cash Flow

Consolidated free cash flow (net cash provided by (used in) operating activities + net cash provided by (used in) investing activities) was a positive ¥50,954 million, a ¥30,582 million decrease from the previous fiscal year's positive free cash flow of ¥81,536 million.

Cash Flows from Operating Activities

Net cash provided by operating activities was ¥123,562 million, compared with ¥144,920 million in the previous fiscal year. Major factors of the cash increase included the profit before income taxes. Major factors of the cash decrease included an increase in trade receivables and contract assets, inventories. Cash flows from operating activities decreased by ¥21,358 million.

Cash Flows from Investing Activities

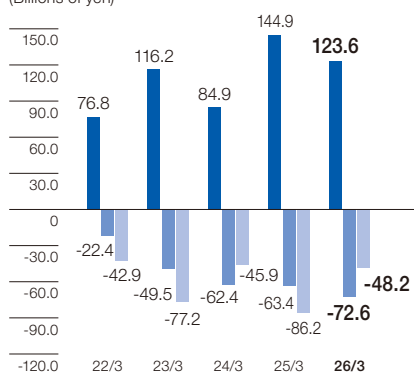
Net cash used in investing activities was ¥72,608 million, compared with net cash used by investing activities of ¥63,384 million in the previous fiscal year. This was primarily due to purchases of property, plant and equipment offset by sales of investment securities. Net cash used in investing activities increased by ¥9,224 million.

Cash Flows from Financing Activities

Net cash used in financing activities was ¥48,173 million, compared with net cash used in financing activities of ¥86,246 million in the previous fiscal year. This was primarily due to payments of cash dividends paid, repayments of lease obligations. Net cash used in financing activities decreased by ¥38,073 million.

Cash Flows

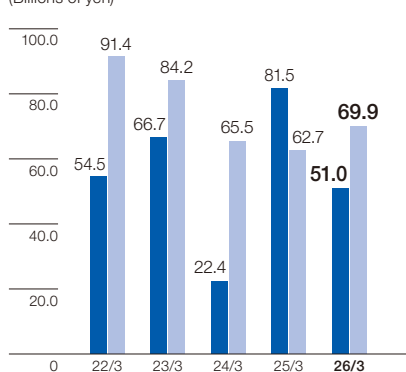
(Billions of yen)



■ Cash Flows from Operating Activities
■ Cash Flows from (Used in) Investing Activities
■ Cash Flows from (Used in) Financing Activities

Free Cash Flow / Cash and Cash Equivalents

(Billions of yen)



■ Free Cash Flow
■ Cash and Cash Equivalents

Risk Factors

Fuji Electric manages business and other risks in a coordinated, systematic manner and takes appropriate measures to minimize the impact of such risks. The following factors were judged to have a potential future effect on Fuji Electric's business performance and financial position. Any forward-looking statements in the following are based on the judgment of management as of the date of submitting the securities report (June 19, 2026).

(1) Management Strategies, Business Strategies, and Operating Environment

Fuji Electric works to swiftly concentrate management resources on businesses earmarked for growth while making capital and R&D investments aimed at expanding and developing its businesses. With respect to semiconductor-related capital investments, which require large amounts of money, we make decisions based on negotiations with customers regarding physical quantities and pricing. Regarding R&D investments, we emphasize consistency with our business strategies and contribution to our businesses. Based on our roadmap, we pursue R&D on fundamental and advanced technologies that support Fuji Electric's future. Here, the management engages in regular deliberations about key development themes and constantly reviews the roadmap according to market changes. However, the semiconductor field is characterized by short product cycles, major fluctuations in product supply/demand levels, and intense competition. In some cases, therefore, we may be unable to recover our investment, which may affect its business performance and financial position.

Fuji Electric is contributing to realize a sustainable society through our energy and environment related businesses, considering protection of the global environment to be an important management priority. Also, we promote our Environmental Vision 2050, which aims to realize a low-carbon society, recycling-oriented society, and a society in harmony with nature, across the supply chain. Further, we announced its support for the recommendations of the TCFD, Task Force on Climate-related Financial Disclosures, and conduct climate change risk analysis from a long-term perspective. However, stricter enforcement of the Paris Agreement and other environmental regulations, as well as assessments by ESG evaluation institutions may lead to stronger criticism of part of Fuji Electric's operations (coal-fired power generation business), which may affect its business performance and financial position.

Fuji Electric has business bases around the world and provides products and services to markets and customers in multiple regions. If rising geopolitical risks and changes in the international order lead to social, economic, or political instability, it could potentially impact various business activities, including restrictions on sales activities, factory operation suspensions, and limitations on construction site visits. These may affect Fuji Electric's business performance and financial position.

(2) Corporate Governance

Fuji Electric is working to strengthen its corporate governance by improving management transparency and auditing functions during normal times. However, an unprecedented event may lead to deficiencies in our internal control and audit functions, resulting in corporate governance breakdown and business disruption, etc., which may affect our business performance and financial position.

(3) Business Reorganizations, Alliances, and Withdrawals

Fuji Electric actively engages in M&As, joint ventures, business alliances, and the like with third parties in order to strengthen its competitiveness in each business field. As part of these activities, we share our corporate philosophy, management policy, code of conduct, business plans, business strategies, and so on to facilitate integration of our business strategies, technologies, products, and human resources.

We strive to maintain close communication with partners and build good relationships with them. Due to differences in systems and cultures, however, we may be unable to achieve the desired outcomes, which may affect our business performance and financial position.

(4) Orders, Marketing, and Sales Promotion

Fuji Electric is developing operations actively in overseas markets, focusing particularly on expanding sales in China and other Asian markets. We have sales offices in various markets to better understand customer trends and centrally manage the information we collect for analysis and consideration and otherwise strive not to miss business opportunities. We also work to reduce costs and expenses in order to minimize the impact of domestic and overseas trends on our business performance. However, any number of events may affect our business performance and financial position. These include deteriorating market conditions in each country—including private capital investments and public expenditures—as well as sudden changes in supply and demand of products, intensifying competition, and the resultant significant falls in prices.

Fuji Electric receives orders for large-scale plant projects in the energy field and the industry field, etc. In order to secure appropriate profits in each project, we work to improve the accuracy of our quotations at the time of order receipt and strengthen project management afterwards. After receipt of orders, however, any number of events may affect our business performance and financial position. These include unanticipated specification changes, process delays, and profitability declines due to natural disasters and the like.

(5) Development and Design Engineering

Fuji Electric has established an R&D system to accelerate research and development and constantly monitors market, customer needs and the latest technological trends. At the same time, we conduct R&D aimed at creating strong components and systems, focused on power electronics and power semiconductor technologies, and R&D to develop solutions that generate customer value through combinations of elemental technologies.

Due to rapid technological advances, however, we may lose our advantage over other companies, and product development may not proceed as planned, making it impossible to launch new product at the right time. Any of these events may affect our business performance and financial position.

(6) Procurement

Fuji Electric deploys various means, including product swaps, to reduce the risk of rising raw material prices. However, in addition to increasing raw material and components prices against the background of a weak yen, such changes as the drastically increasing demand in emerging nations may result in tightened supply and demand as regards materials and raw materials and significant increases in their prices. Any of these events may affect our business performance and financial position.

(7) Production, Manufacturing, Shipping, Logistics, Installation, Delivery, and Service

Fuji Electric always keeps track of the latest physical quantity flows by sharing information between its sales and business departments at management meetings and other forums. We have also built an optimal production management system that can respond to changes in physical quantity flows by such as improving productivity and promoting local production for local consumption. However, an unprecedented event could result in increased/decreased demand and other changes in physical quantity flows, leading to delayed responses and inventory shortages/surpluses, which may affect our business performance and financial position.

Through reforms of its supply chain, Fuji Electric works to promote “completely localized” manufacturing through local production for local consumption while also emphasizing global procurement. However, an unprecedented event could result in restrictions on human and commodity movements and disruptions to our distribution network. This could prevent our supply chain from functioning and cause delays in deliveries, which may affect our business performance and financial position.

(8) Quality Assurance

Fuji Electric has established a quality control system for the products it manufactures and sells and strives to ensure high quality standards. Although we have made the necessary insurance arrangements, an unprecedented event could cause quality-related problems in our products to arise and spread, which may affect our business performance and financial position.

(9) Human Resources and Labor

The business activities of Fuji Electric depend heavily on its human resources. To attract and develop excellent human resources in various fields—such as technology, production, sales, and business management—we focus on cultivating professional human resources who will help strengthen our global competitiveness. We also actively conduct employee education and training and are expanding mid-career recruitment and other measures to attract exceptional human resources. However, failure to attract and develop such important human resources may have an impact on our business performance and financial position.

(10) Finance and Accounting

Seeking to minimize fund-raising costs, Fuji Electric constantly examines the optimal mix of corporate bonds, commercial paper, and short-term and long-term borrowings, in order to ensure flexible and stable financing arrangements. However, an unexpected increase in interest rates could raise the interest rate burden on our interest-bearing debt, which may have an impact on our business performance and financial position.

Fuji Electric works to strengthen credit management, including by monitoring long-overdue receivables and the financial status of business partners, in order to enhance its collection of trade receivables. However, restrictions on economic activities and economic downturn could cause business partners' cash flows to deteriorate and prevent us from recovering debts, which may have an impact on our business performance and financial position.

(11) Legal and Ethical

Fuji Electric engages in business in various fields and regions, and as such is subject to the laws and regulations of each country. The Fuji Electric Compliance Promotion Committee, chaired by our representative director, spearheads efforts to ensure rigorous compliance with laws and regulations. We also have a compliance program that clearly identifies roles and responsibilities covering each aspect of legal regulations—namely, internal rules, monitoring, auditing, and education—and our compliance structure also includes a whistleblowing system. However, any occurrence of legal violations and the like may have an impact on our business performance and financial position.

In preparation for lawsuits and other legal disputes, Fuji Electric has formed a task force aimed at building a system to ensure that necessary procedures (fact investigation, corrective action, recurrence prevention, internal write-down, and disclosure) and are conducted promptly. However, we may be ordered to pay unexpectedly large amounts of damages, which, depending on the nature of the decision, may have an impact on our business performance and financial position.

Fuji Electric strives to effectively protect intellectual property rights and develop products and technologies that respect the rights of other companies. Due to the speed of technological innovation and the global expansion of our business activities, however, intellectual property disputes could arise, which may have an impact on our business performance and financial position.

(12) Political and Socioeconomic Trends

Fuji Electric engages in currency exchange contracts, based on certain criteria, to minimize the impact of foreign exchange fluctuations. However, any changes in exchange rates, primarily between the yen and the U.S. dollar, may have an impact on our business performance and financial position.

Fuji Electric develops its business in many overseas markets, mainly in China and other Asian markets, and always closely monitors the latest information on geopolitical risks. We are also diversifying our production and sales bases in preparation for unexpected risks.

However, any of the following events may have an impact on our business performance and financial position:

- Unexpected enactment of laws/regulations and changes in tax systems with adverse effects
- Disadvantageous political situations
- Social turmoil due to social upheaval, terrorism, war, and the like

(13) Trends of Shareholder and Other Investors

Fuji Electric attaches great importance to disclosure of financial information, active disclosure of non-financial information, and communication with shareholders and institutional investors. We also strive to foster understanding of our management through sincere and accurate disclosure of information according to our Disclosure Policy. However, the intentions of stockholders and other investors may differ from those of the Company's management, which could result in a vote against the election of directors. Also, a shareholder proposal against management could cause disruption of our operations. These and other events may have an impact on our business performance and financial position.

(14) Natural Disasters and Accidents

Fuji Electric has business bases all over the world and is committed to fulfilling its responsibilities to customers and society by continuously supplying products and services in the event of disaster or accident. To this end, we established a dedicated crisis management team to spearhead fire and disaster prevention efforts, formulation of a business continuity plan (BCP), and adoption of necessary insurance arrangements in order to "strengthen our business continuity capability."

However, any number of events may have an impact on our business performance and financial position. These include large-scale disasters or accidents at/near our business sites, which could cause damage of production equipment, interruption of operations, and delays in product shipments.

(15) External Attacks

To address increasingly diversified and sophisticated cyber-security threats, Fuji Electric established a countermeasure system and a security response organization (CSIRT/SOC) to monitor and suppress any attacks. We are also continuously strengthening our response capabilities—in such areas as defense, detection system reinforcement, and cyber training—to prepare for the emergence of new threats. However, any number of events may have an impact on our business performance and financial position. These include system malfunction and information leakage due to external attacks (such as cyber-terrorism), resulting in loss of social trust.